

An Early Look at Marketplace Impacts Following Implementation of a BHP in Oregon Prepared for the HB 4035 Task Force

Tuesday, October 4, 2022

8:30 am - 12:00 pm PT / 11:30 am - 3:00 pm ET

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Agenda

- Overview of Today's Presentation
- Silver Loading
- Deep Dive on Microsimulation Model
- Preliminary Findings for Step One
- Looking Ahead to Step Two

Overview of Today's Presentation



Goals for today:

- Refresher on silver loading and how losing most silver loading may require a mitigation strategy - the reason we are running a Marketplace microsimulation.
- Describe how the Oliver Wyman Healthcare Reform Microsimulation Model (HRM) works to measure the two step impact of losing silver loading.
- Share a high-level overview of what we know and what we don't know so far, having run
 Step 1 but not Step 2.
- On Oct 18, we will present details on both Step 1 and Step 2 results, focusing on how the Step 1 results lead to a dynamic set of additional changes as the market reacts to revised premium rates that reflect reduced silver loading and anticipated morbidity changes.

Silver Loading

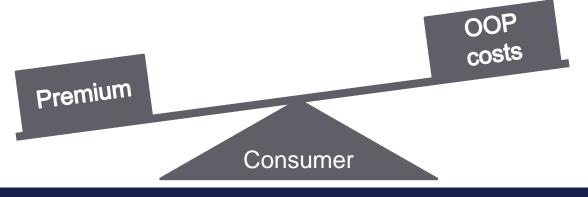
Numi Rehfield-Griffith, Senior Policy Advisor, DCBS-DFR



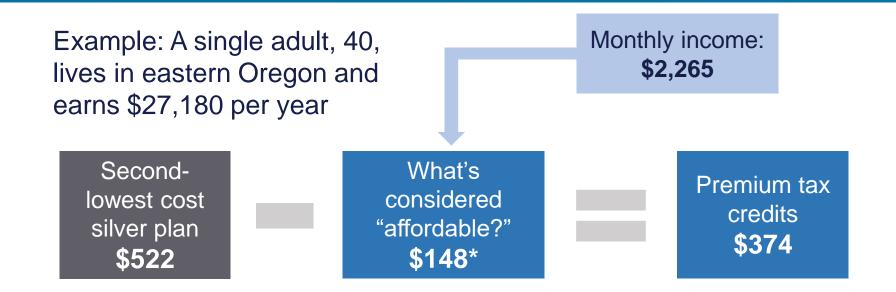
QHP Specifics

Metal Tiers

Metal tier	Bronze	Silver	Gold
Costs covered by insurance carrier (on average)	60%	70%	80%
Costs covered by consumer (on average)	40%	30%	20%



ACA Basics – Premium Tax Credit Calculation



PTC may be applied to any health plan offered on Healthcare.gov

	Bronze	Silver	Gold
Monthly premium	\$386	\$522	\$586
Tax credit	\$374	\$374	\$374
Cost after tax credit	\$12	\$148	\$212

^{*}For the purposes of this discussion, this uses unadjusted 2022 premiums, and the 2023 FPL threshold with an assumption that ARPA subsidies have not been extended into 2023.

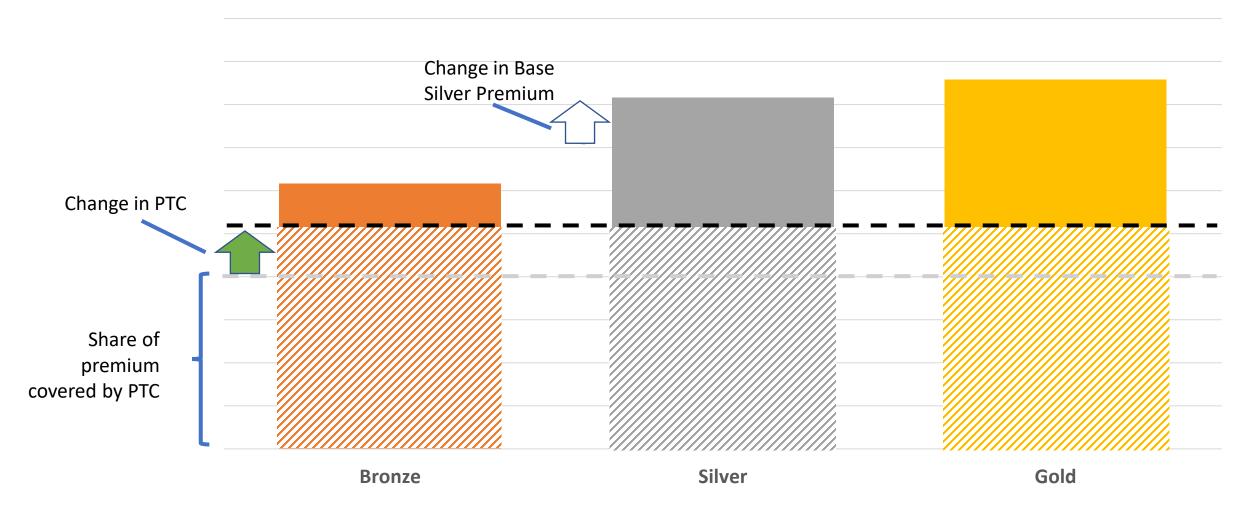
ACA Basics – Cost Sharing Reductions

Benefit & Premium Comparison – Standard Silver Plans 2023

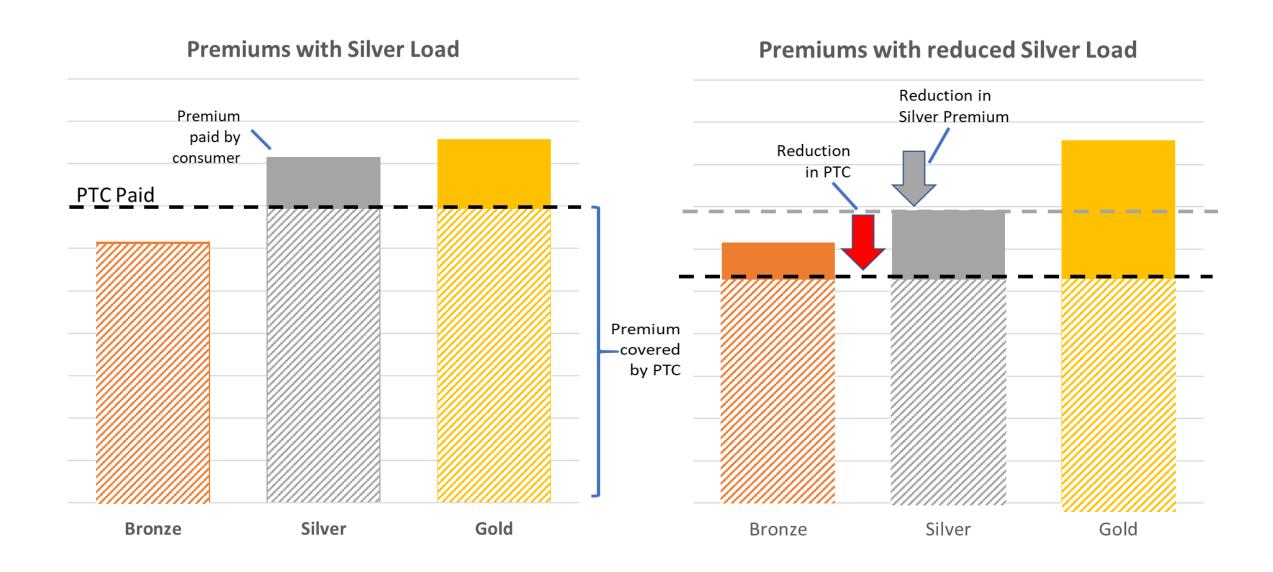
	94% Silver CSR 138-150% FPL	87% Silver CSR 150%-200% FPL	74% Silver CSR 200%-250% FPL	Standard Silver 250%+ FPL
Monthly Premium (No ARP)	\$50-\$70	\$70-\$148	\$148-\$236	\$236 - \$1,614
Deductible	\$ 125	\$ 1,300	\$4,800	\$ 4,800
Maximum OOP	\$ 1,000	\$ 3,000	\$7,250	\$ 9,100
PCP Visit	\$ 10 Co-pay	\$ 15 Co-pay	\$40	\$ 40 Co-pay
Rx Generic	\$ 5 Co-pay	\$ 10 Co-pay	\$15	\$ 15 Co-pay
Rx Preferred Brand	\$ 25 Co-pay	\$ 25 Co-pay	\$55 Co-pay	\$60 Co-pay
Rx Specialty	50% Coinsurance	50% Coinsurance	50% Coinsurance	50% Coinsurance

ACA Basics – Silver Loading

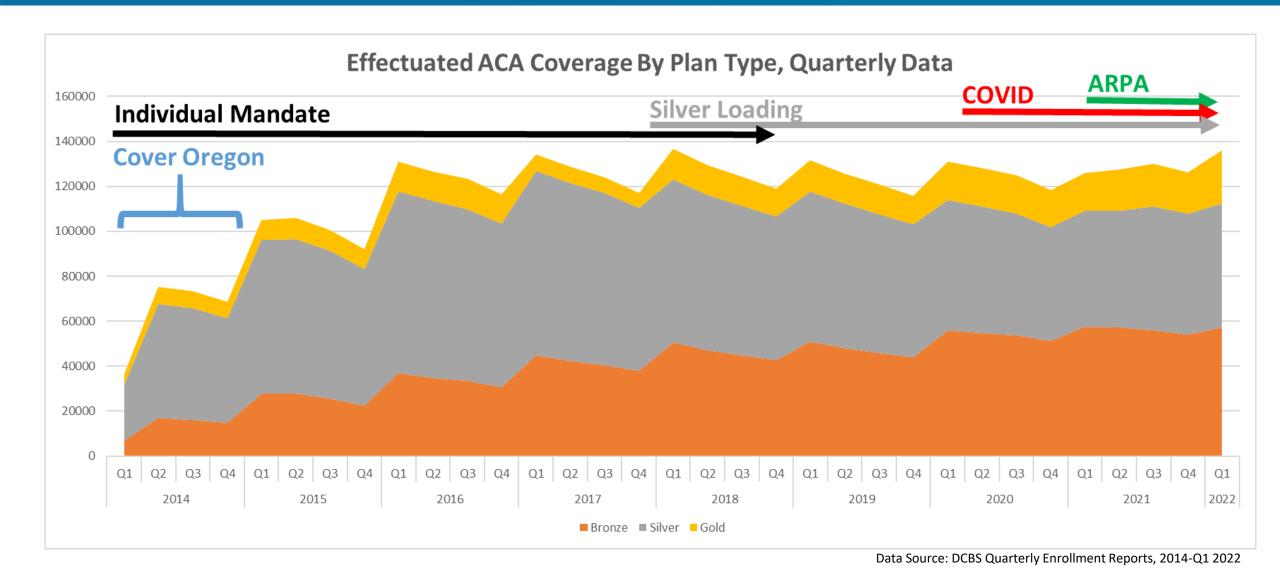




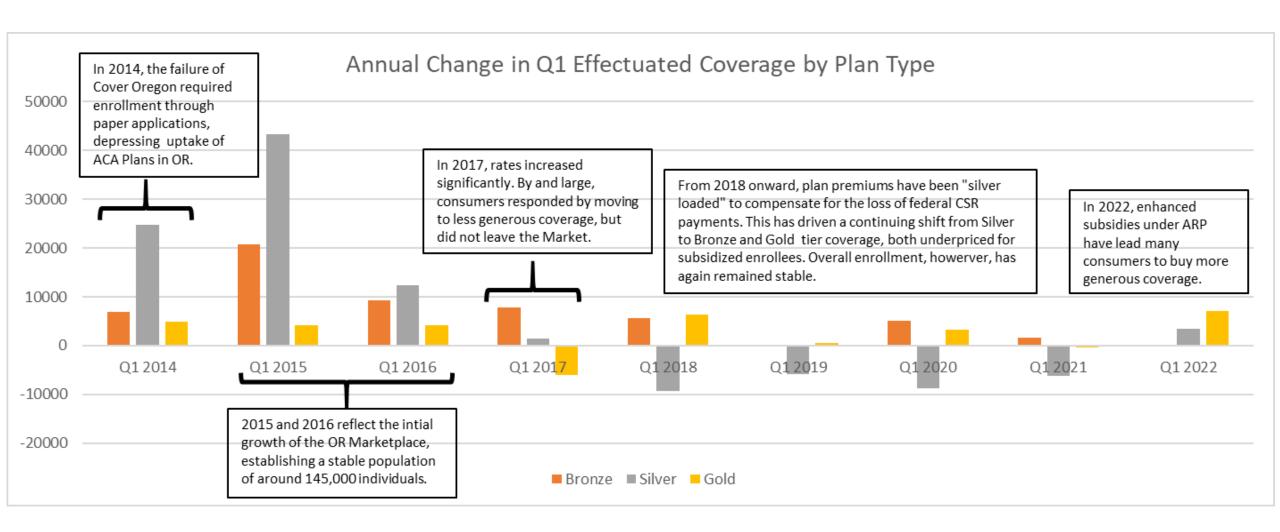
Impact of Reduced Silver Load on Premiums



Impact of Silver Loading on Plan Enrollment



Impact of Silver Loading on Plan Choice



Deep Dive on Microsimulation Model



Removing 138-200% population leads to a second round of changes in the Marketplace

- **Step 1:** Removing the 138-200% FPL population from the Marketplace and making no adjustments to premium rates
- Step 2: After removing the 138-200% FPL population, Step 2 looks at how revised premium rates that reflect reduced silver loading and morbidity in the above 200% FPL population lead to dynamic changes in consumer behavior that result in a new equilibrium, which is better or worse for individuals and families depending on age, income, geography and metal level selected
- For each step, impact on the morbidity of the single risk pool relative to the baseline is measured



Oliver Wyman's Healthcare Reform Microsimulation (HRM) Model is a Rigorously Vetted Model Based on Utility Maximization

High-level tenets of utility maximization modeling

Prices	Goods and services have prices that force consumers to choose between them and other alternatives within income constraints
Revealed Preferences	Consumers have (subjective) preferences for goods and services, which are directly observable through historical data
Rationality	Consumers act rationally and exhibit predictable behavior based on their available option set and information
Inertia	Consumers have stickiness to their legacy coverage and may not be aware of cheaper alternatives (influence of inertia sourced from past economic studies and model calibration)

Vetting by government bodies and major associations in the course of past work







Successful legislative and regulatory deployments

Transitional Reinsurance
Program (Section 1341 of
the Affordable Care Act)



Section 1332 State Innovation Waivers

• \$1bn impact (annual reduction in premiums)

Similar models deployed by top organizations



Health Insurance Simulation Model (HISIM2)

- Health insurance coverage
- Premiums

\$20bn impact

Input to baseline budget projections



Health Insurance Policy Simulation Model (HIPSM)

 Cost and coverage effects of proposed health care policy options



Data Sources Underlying the Calibration and Deployment of Oliver Wyman's HRM Model

POPULATION INPUTS



INSURANCE MARKET INPUTS

POLICY REQUIREMENTS

Demo/Sociographic



American Community Survey

Health Status



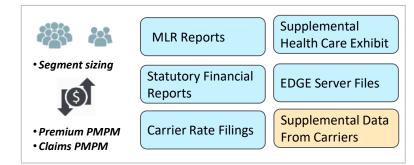
Current Population Survey

MEPS

Self-reported

Employer Coverage

Market Size and Financial Flows



Premium and Plan Choice



contributions

Employee Industry

Offer rates

Take-up rates

MEPS

Household / Employer Comp.

Household Comp

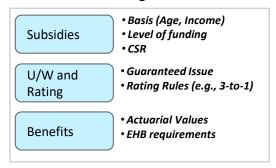
Claims Data

 Allowed cost OOP cost

MarketScan



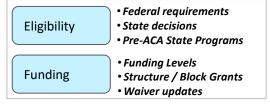
Commercial Coverage



Supporting Legislation

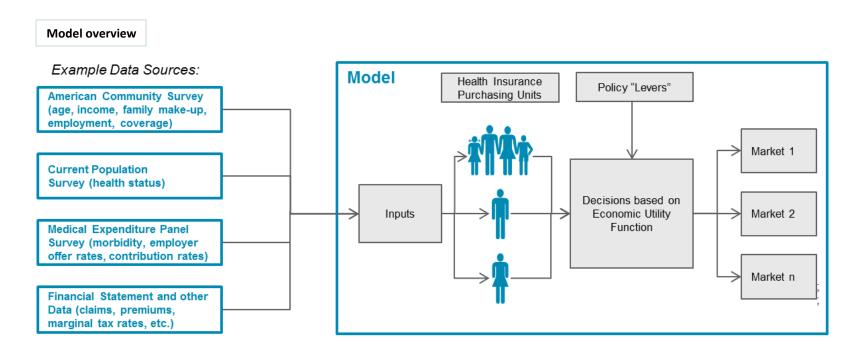


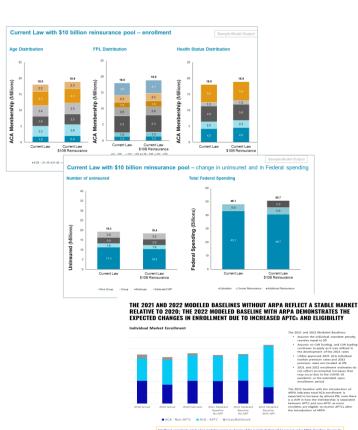
Medicaid





Oliver Wyman's HRM Model Allows for Assessing the Impact of Policy Changes at a Granular Level, Driving More Precise Assumptions





Sample Model Output

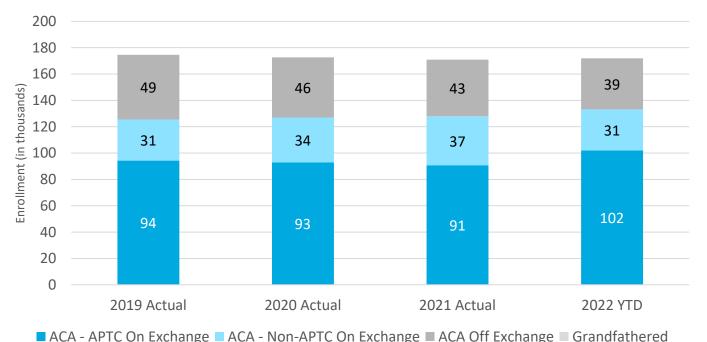


Preliminary Results for Step 1



Enrollment in the Oregon Individual Market has Remained Relatively Stable in Recent Years, But With a Shift to More Subsidized Coverage in 2022

Average Annual Individual Market Enrollment



Proportion of ACA Members Receiving APTCs

2019	2020	2021	2022 YTD1
54.0%	53.8%	53.1%	59.3%

Proportion of ACA Members Enrolling Through the Exchange

2019	2020	2021	2022 YTD1
71.9%	73.5%	74.8%	77.5%

- Proportion of members enrolling through the exchange has gradually increased from 2019 through 2022, likely driven in part by ARPA. However, even with the enhanced ARPA-level subsidies offered in 2022, the on-exchange proportion of enrollment has only increased slightly
- While there was an increase in 2022 APTC enrollment, the number of Non-APTC on-exchange enrollment did not see a large decrease from prior years



¹ 2022 YTD represents data through June 2022, annualized Sources: Oregon Quarterly Enrollment Report, Carrier data call responses

How Factors Impacting Premiums Change in Step 1

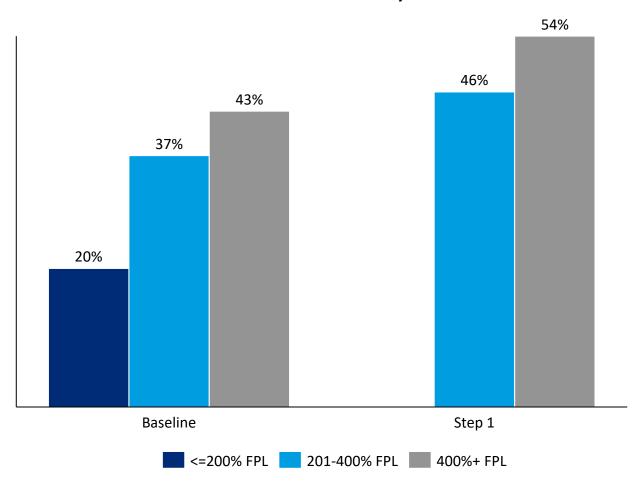
Implementation of the BHP is expected to have significant impacts on morbidity, income, and metal level mix in the Marketplace.

- Income distribution. Majority of Marketplace population is above 400% FPL.
- Metal levels. Gold and bronze plans are more prevalent, and silver plans are less prevalent.
- Age cohorts. Only minor changes.
- Geographic rating regions. Only minor changes.
- Morbidity. Morbidity is estimated to improve in the Marketplace risk pool because the current Marketplace population under 200% FPL is less healthy than the current Marketplace population above 200% FPL.



The Distribution of Enrollees with Household Incomes > 200% FPL are Expected to Lean Towards the 400%+ FPL Population with a BHP in Place

Distribution of Individual ACA Market Enrollees by FPL %

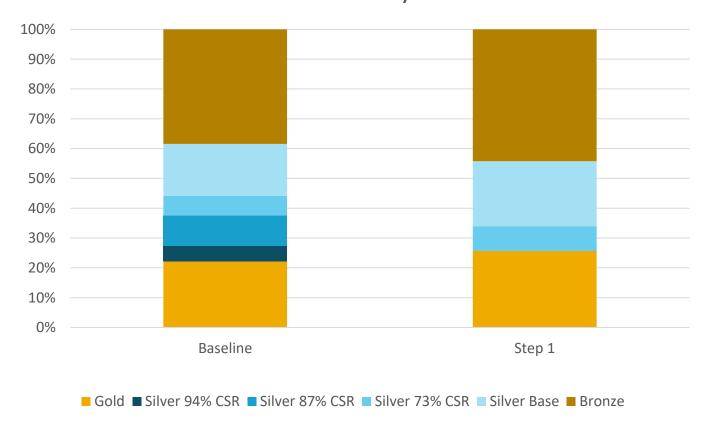


Scenario	Total Marketplace Enrollment	
Baseline	183,900	
Step 1	146,600	

- The baseline market shrinks by approximately 20% when excluding the BHP-eligible population (0-200% FPL)
- Approximately 54% of the remaining population have income that exceeds 400% FPL when the BHP-eligible population is removed from the market



Distribution of Individual ACA Market Enrollees by Metal Level



Distribution of Individual ACA Market Enrollment

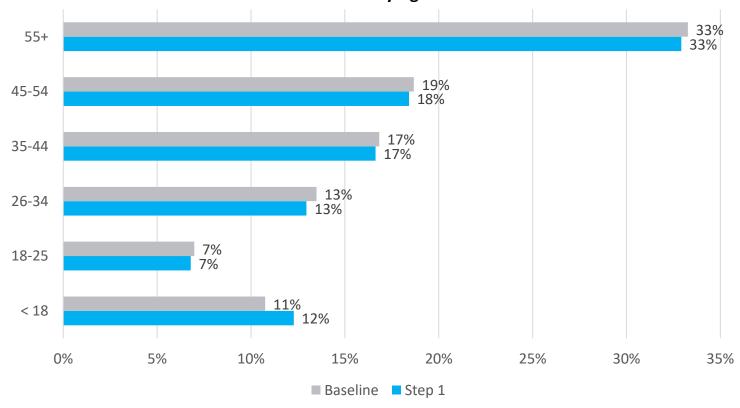
Metal Level	Baseline	Step 1
Platinum	0	0
Gold	40,900	37,600
Silver	72,300	44,100
Base Silver	31,900	31,900
73% CSR	12,200	12,200
87% CSR	18,800	0
94% CSR	9,400	0
Bronze	70,700	64,900
Catastrophic	0	0
Total ¹	183,900	146,600



¹ Totals do not tie to prior slide due to rounding Results above are preliminary and subject to change with further refinement

The Age Distribution of Oregon's Individual Market Will Experience Minor Shift When Removing the <200% FPL Population in Step 1

Distribution of Individual ACA Market Enrollees by Age

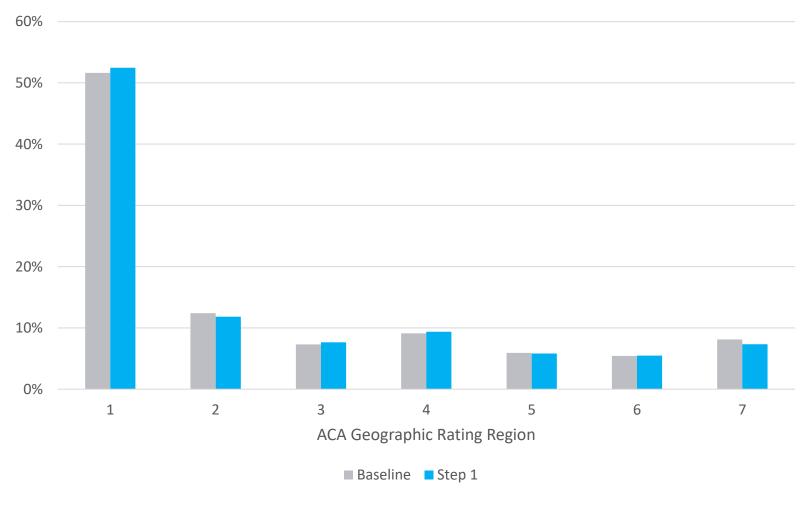


 Removing the <200% FPL population from the Individual ACA Market leads to the <18 age bracket representing a slightly larger portion of the total market share with older age brackets representing a slightly smaller market share



The Distribution of Oregon's Individual Market Membership by Rating Region for the 200%+ Only Population is Similar to the Baseline Population

Distribution of Individual ACA APTC Market Enrollees by Geographic Rating Region



- Geographical shifts are expected to be relatively minor
- The largest membership shifts are expected to occur in Rating Regions 1 and 7, which observe shifts of +0.8% and -0.8% of total market share, respectively, when excluding the BHP-eligible members from the market



Key Takeaways and Looking Ahead to Step 2



Key Takeaways and Looking Ahead to Step 2

- Step 1 results being finalized now suggest morbidity will improve in the Marketplace risk pool following implementation of a BHP, because the current Marketplace population under 200% FPL is less healthy than the current Marketplace population above 200% FPL.
 - We still don't know the estimated morbidity of the new Marketplace equilibrium population, because we need to run Step 2 of the model.
 - These initial results suggest the morbidity of the Marketplace population entering the BHP may impact BHP cost, but we need to learn more about the morbidity of the BHPeligible uninsured and OHP populations before we can draw conclusions. This analysis will be available in November as part presentations of BHP cost and revenue estimates.
- Step 2 will estimate how consumers will respond to premium changes predicted in Step 1, and how this consumer response further effects the market. We will get the final data and complete picture of the microsimulation analysis on 10/18.



- October 18
 - Final microsimulation results: overall impacts and changes in premium rates, enrollment, morbidity, composition and tax credits in the Marketplace
- November 1
 - Analysis of cost and estimated federal funding for BHP